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**ALLIANCE**

**BUILDING CORPORATION LIMITED**

*Annual Report*

**FOR THE YEAR ENDED  
DECEMBER 31, 1968**



*Bernard Gordon*

CHARTERED ACCOUNTANT  
TORONTO, ONTARIO

**AUDITOR'S REPORT**

To the Shareholders of  
Alliance Building Corporation Limited,  
Toronto, Ontario

I have examined the consolidated balance sheet of Alliance Building Corporation Limited and its wholly-owned subsidiary Finduff Construction Limited as at December 31, 1968 and the combined and consolidated statement of income and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect to Notes 2 and 4 which I approve.

April 23, 1969.

BERNARD GORDON  
Chartered Accountant

**ALLIANCE BUILDING  
CORPORATION LIMITED**



*Directors:*

ALEXANDER G. FISHER, C.A.,  
DAVID SATOK  
ERNEST J. WEISS  
SAMUEL YOUNG

*Officers:*

ALEXANDER G. FISHER, C.A., *President*  
DAVID SATOK, *Vice-President and Managing Director*  
ERNEST J. WEISS, *Treasurer*  
SAMUEL YOUNG, *Secretary*  
E. FRANKLIN FURNISS, *Assistant Secretary Treasurer*

*Head Office:*

62 Alness Street, Downsview, Ontario

*Transfer Agent and Registrar:*

Guaranty Trust Company of Canada

*Bankers:*

The Toronto-Dominion Bank

*Auditors:*

Bernard Gordon, C.A.



## ALLIANCE BUILDING CORPORATION LIMITED

### TO THE SHAREHOLDERS:

Your Directors are pleased to present herewith a statement of the affairs and financial position of your company as at December 31, 1968.

1968 was a year of change and progress for your company. A substantial amount of land has been acquired for future projects and we anticipate through the appreciation of these assets, new sources of revenue for the company.

Rental income increased from \$296,523 in 1967 to \$459,203 in 1968. Buildings under construction in 1968 will project a further increase in rental income, substantially for 1969. Several contracts were negotiated for sales in the 1968 period and their profit will show up in our 1969 results.

In examining the operations of 1968, we were satisfied with our new concept of personalized marketing with the real estate fraternity in Toronto, which is beginning to bear fruit, the results of which is a much sounder relationship between your company and the many real estate firms throughout Ontario. We are proud to have been chosen as the builder-developer of the new head office for the Ontario Association of Real Estate Boards, and we feel this is indicative of our closeness to the real estate profession.

Your directors are confident that we will continue on our upward trend in sales and profits, with considerable increase in our income producing properties for the following year. The general trend to higher interest rates may force some industrial firms to look for short and longer term lease arrangements which we will be able to provide from our existing buildings and those buildings presently under construction.

Your company is also examining the possibility of further diversification from the solid base of industrial buildings that we have established, and will report to the shareholders as quickly as any new decisions are made.

As in previous years, the credit for the success achieved in 1968 goes to our able management team at all levels of responsibility and to our devoted staff. Recognizing that in the final analysis, it is people who make a company fail or prosper, we wish to pay tribute to the loyalty and dedication of all our employees.

On behalf of the board of directors,

*David Satok*  
Managing Director

Toronto, Canada  
June 10, 1969

# ALLIANCE BUILDING CORPORATION LIMITED

and its wholly-owned subsidiary Finduff Construction Limited

## COMBINED AND CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31,	
	1968	1967
Sales .....	\$599,215	\$318,438
Cost of sales .....	484,801	235,980
	114,414	82,458
Rental of industrial buildings .....	362,490	268,092
Other income .....	50,158	23,647
Gross profit .....	527,062	374,197
Expenses (Notes 2 and 3) .....	183,377	123,184
Operating income .....	343,685	251,013
Interest expense .....	239,479	162,337
Depreciation on industrial buildings (Note 4) .....	62,265	51,201
Other depreciation and amortization .....	2,284	3,788
Share in (profits) losses of partnerships .....	9,207	(12,525)
	313,235	204,801
Net income before income taxes .....	30,450	46,212
Income taxes .....	8,239	8,029
Deferred income taxes .....	(3,813)	13,679
	4,426	21,708
Net income .....	26,024	24,504
Retained earnings at beginning of the year .....	67,194	42,840
Cost of application for supplementary letters patent written off .....	(8,357)	(150)
Retained earnings at end of the year .....	\$ 84,861	\$ 67,194

See accompanying notes.



**ALLIANCE BUILDING**

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<b>ASSETS</b>	December 31,	
	1968	1967
Revenue producing real estate, at cost, less accumulated depreciation (1968 — \$170,245; 1967 — \$120,082) .....	\$3,167,319	\$2,524,327
Inventory of land at cost (Note 1) .....	513,642	453,887
Work in progress (Note 5) .....	118,424	—
Equipment and leasehold improvements, at cost, less accumulated depreciation (1968 — \$12,775; 1967 — \$10,490) .....	10,218	8,753
Cash .....	50	2,578
Accounts receivable .....	184,730	194,167
Mortgage draws receivable .....	—	115,000
Mortgage receivable .....	91,780	101,118
Sundry deposits (Note 6) .....	69,196	1,216
Prepaid expenses (Note 7) .....	59,588	7,005
Investments in and advances to companies (Note 8) .....	24,651	59,866
Organization costs .....	—	494

Approved on behalf of the Board of Directors:

"D. SATOK", Director

"E. J. WEISS", Director

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\$4,239,598      \$3,468,411

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See accompanying notes.

# CORPORATION LIMITED

(Incorporated in Ontario)

Induff Construction Limited

## BALANCE SHEET

	December 31,	
	1968	1967
<b>LIABILITIES</b>		
Bank overdraft .....	\$ 62,715	\$ 41,230
Bank indebtedness (Note 9) .....	175,000	200,000
Accounts payable and accrued liabilities .....	489,757	460,387
Loans payable .....	314,000	140,000
Estimated corporation taxes payable .....	6,361	7,504
Mortgages payable (Note 10) .....	2,951,220	2,425,332
Rental deposits .....	44,491	43,008
Deposits on sale of land and building .....	31,250	—
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	4,074,794	3,317,461
Deferred income taxes (Note 11) .....	29,743	33,556

## SHAREHOLDERS' EQUITY

### Capital stock (Note 12):

#### Authorized:

200,000 Preferred shares, \$10 par value

1,750,000 Common shares, no par value

(maximum consideration \$1,750,000)

#### Issued:

5,000 Preferred shares .....	50,000	50,000
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700,000 Common shares .....	200	200
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	50,200	50,200

Retained earnings .....	84,861	67,194
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	135,061	117,394

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	\$4,239,598	\$3,468,411



# ALLIANCE BUILDING CORPORATION LIMITED

and its wholly-owned subsidiary Finduff Construction Limited

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1968

### 1. ACCOUNTING PRESENTATION

Alliance owned 50% of the common shares of Finduff Construction Limited from its inception, May 24, 1964. On June 17, 1967 Alliance acquired the remaining 50% for \$65,000. On consolidation \$64,900 was attributed to the value of land owned by Finduff Construction Limited. The balance of the excess cost of shares of Finduff over their book value in the amount of \$8,493 has been written off to retained earnings.

Alliance had managerial control of Finduff from the inception of that company. The combined and consolidated statements of income and retained earnings include the operations of Finduff from its inception.

### 2. (a) SUPPLEMENTARY EXPENSE INFORMATION:

	Year Ended December 31,	
	1968	1967
Land carrying charges (Note 2 (b) ) .....	\$ 3,233	\$ 18,910
Commission and sundry expenses incurred to earn rental income .....	85,537	42,454
Supervision and administration .....	40,833	23,967
Miscellaneous .....	53,774	37,853
	<u>\$183,377</u>	<u>\$123,184</u>

### (b) LAND CARRYING CHARGES:

From the company's inception (October 25, 1962) to December 31, 1964, carrying charges on raw land were added to the cost of land inventory. From January 1, 1965 the company wrote off in the year incurred all carrying charges applicable to raw land.

In 1968 in order to match more accurately revenue and expenses the company added to the cost of land inventory all carrying charges incurred during the period on raw land on hand as at December 31, 1968. This amounted to \$25,665.

Similar adjustments for the three years 1965, 1966 and 1967 were made for land carrying charges on raw land acquired during these years and still on hand as at December 31, 1968. The amount of these adjustments were:

1965	\$ 2,327
1966	9,972
1967	<u>20,656</u>
	<u>\$32,955</u>

No adjustment was made for raw land acquired from January 1, 1965 to December 31, 1968 which was sold or otherwise utilized by December 31, 1968.

### 3. Payments to Directors and senior officers:

Year Ended December 31,	
1968	1967
<u>\$51,479</u>	<u>\$39,186</u>



#### 4. DEPRECIATION

The company has been taking depreciation on industrial buildings at the maximum capital cost allowance rate of 5% on diminishing balances. In 1968 the company changed its depreciation policy and is depreciating its industrial buildings at 2½% straight line basis. The depreciation rate is in the company's opinion, more realistic.

Depreciation for the previous years has been adjusted on the new basis of 2½% straight line. This adjustment resulted in a decrease of depreciation charges on industrial buildings as follows:

1963	\$ — (no industrial buildings)
1964	12,568
1965	25,209
1966	35,784
1967	44,522
	<u>\$118,083</u>

#### 5. WORK IN PROGRESS:

The company through its subsidiary Finduff Construction Limited is constructing a building on Finduff's land under a contract in the amount of \$655,000.

#### 6. SUNDRY DEPOSITS:

Deposits on offers to purchase land .....	\$53,125
Deposit on option to purchase land .....	5,000
Stand-by fees on mortgage commitments .....	9,500
Sundry deposits with municipalities .....	1,571
	<u>\$69,196</u>

#### 7. PREPAID EXPENSES:

Cost of prospectus for sale of capital stock in 1969 .....	\$51,994
Prepaid insurance .....	7,594
	<u>\$59,588</u>

#### 8. INVESTMENTS:

##### (a) OTHER COMPANIES:

1,250 shares of Waitray Developments Limited representing 25% of the common shares, at cost .....	\$ 125
16 shares of Heatherglen Developments Limited representing 16% of the common shares, at cost .....	\$ 16
Advances to Heatherglen Developments Limited .....	245
	<u>\$ 261</u>

A dividend of \$7,500 in 1968 from Waitray Developments Limited has been included in other income of Alliance Building Corporation Limited.

##### (b) ADVANCES TO (AND FROM) PARTNERSHIPS:

Don-Steel Developments (25% interest) .....	\$29,275
Lakeshore Factory Properties (50% interest) .....	10,147
Industriplants Construction Co. (50% interest) .....	(15,157)
Advances, net .....	<u>\$24,265</u>

The company reflects only its share of advances and profits and losses of partnerships. The company's portion of the assets and liabilities of the partnerships are not reflected in these financial statements. In each case, the company is liable for all of the partnerships' liabilities; however, in these circumstances, it has recourse to all of the partnerships' assets to discharge these liabilities.

Total of investments in and advances to Companies .....	<u>\$24,651</u>
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#### 9. BANK INDEBTEDNESS:

The book debts of the companies are assigned as collateral for bank debt.



10. MORTGAGES PAYABLE:

Due dates of mortgages are indicated below. The maturity dates shown reflect only the dates of the balances owing as at December 31, 1968 and do not reflect the systematic payment of principal;

(a) MORTGAGES SECURED BY COMMERCIAL REAL PROPERTY:

1969	7% to 13%	\$473,678	
1970	8% to 13%	199,900	
1971	11% to 12%	178,000	
1974	7%	112,151	
1975	7% to 7¼%	360,583	
1976	6% to 7½%	232,663	
1977	8½%	53,736	
1984	7%	156,895	
1985	7%	128,821	
1987	8%	406,375	
1993	9%	347,123	\$2,649,925

(b) MORTGAGES SECURED BY LAND NOT UTILIZED FOR CONSTRUCTION:

1969	6½% to 12%	157,095	
1970	7% to 9%	64,700	
1971	7% to 9%	46,000	267,795

(c) A MORTGAGE SECURED BY LAND SOLD:

1971	6½%		33,500
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\$2,951,220

Principal payments of the above mortgages due within one year \$ 680,362

Mortgage principal payments due within five years from December 31, 1968:

1969	\$ 680,362
1970	312,898
1971	308,977
1972	57,549
1973	61,934
	<u>\$1,421,720</u>

11. DEFERRED INCOME TAXES:

In calculating income for the years 1964 to 1967 the company has availed itself of certain provisions of the Income Tax Act to eliminate taxes currently payable, and as a result income taxes of \$29,743 is shown in the balance sheet as deferred income taxes.

12. CAPITAL STOCK:

1. Supplementary letters patent dated November 29, 1968 were granted the company giving effect to:
  - (a) change the 200 issued and 9,800 unissued common shares, \$1 par value to 700,000 issued and 1,050,000 unissued shares, no par value;
  - (b) change the 50,000 issued and 40,000 unissued non-voting preference shares, \$1 par value to 5,000 issued and 195,000 unissued preference shares \$10 par value, issuable in series;
  - (c) convert the company into a public company
2. Subsequent to December 31, 1968 the company sold the following shares for cash:
 

62,505 preference shares, \$10 par value	\$625,050
125,010 common shares, no par value	337,527
	<u>\$962,577</u>

Less commission 62,505  
\$900,072

The first series of preference shares are designated, 7% cumulative, redeemable convertible, preference shares, Series "A" and consist of 67,505 issued shares.

These preference shares shall be convertible into common shares as follows:

September 1, 1969 to December 31, 1969	— 2½ common shares
January 1, to December 31, 1970	— 1½ common shares
January 1, 1971 to redemption	— 1½ common shares

Series A preference shares shall be redeemable in whole or in part after December 31, 1969 on payment of the amount paid on such shares plus accrued and unpaid dividends from a fund set up by the company for this purpose.

Additional preference shares may be issued in one or more series upon terms determined by the company's directors.

Preference shares of each series shall be preferred over common shares as to dividends and distribution of the company's assets and have a parity with preference shares of every other series in payment of dividends and distribution of the company's assets.

13. A statement of source and application of funds has been omitted because of the nature of the companies' operations.







